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SUBJECT: US FIRMS AND LABOR MINISTER TOMADA DISCUSS CSR AND
DECENT WORK INITIATIVES

REF: BUENOS AIRES 914

¶1. (C) Summary. On July 24, Ambassador Wayne hosted a roundtable meeting with Labor Minister Carlos Tomada and representatives from U.S. companies to discuss the Labor Ministry's initiative to promote formal employment and decent jobs as well as U.S. companies' corporate social responsibility (CSR) programs. U.S. company representatives expressed concern with domestic tax burdens disproportionately borne by foreign multinational companies, heavy-handed union negotiating tactics, insufficient GoA investment in educating qualified workers, and the Argentine Congress's efforts to legislate CSR initiatives. U.S. companies shared with the Minister details on their efforts to improve diversity in the workplace as well as promote the professional development and work-life balance of their employees. End Summary.

Ambassador: U.S. Firms Positive Contributions to Argentina

¶2. (C) On July 24, Ambassador Wayne hosted a roundtable meeting with Labor Minister Carlos Tomada and representatives from U.S. companies. The Ambassador kicked off the meeting by noting the many positive contributions U.S. companies have made in Argentina, boosting domestic productivity by importing cutting-edge technology and transferring corporate best practices generating over 150,000 jobs in the local economy, investing in their employees and providing on the job training, and supporting the social development of their communities through various CSR initiatives.

Tomada: MOL Efforts to Formalize the Workforce

¶3. (C) Minister Tomada expressed appreciation for the positive impact U.S. investment has had in Argentina's economic recovery. Although Argentina's economic situation has improved since the 2001-02 crisis, Tomada stated that more needs to be done to create new jobs and particularly to formalize the status of informal labor. He noted that 30 percent of informal workers are employed by formal businesses. For this reason, the Labor Ministry launched a "Decent Work" initiative and has enlisted the participation of the largest Argentine companies as well as U.S. companies to help ensure that the contractors, sub-contractors, distributors, suppliers, shippers, etc. they work with employ formal labor as opposed to informal labor. He noted that a number of U.S. companies already participate in the initiative, including some of those at the roundtable, and

invited the others to participate. The Ambassador then opened the floor to U.S. company representatives, asking them to share with the Minister their efforts to promote formal employment with suppliers and contractors all along the production and distribution chains as well as highlight their CSR programs in Argentina.

Domestic Tax Burdens Disproportionately Borne by Foreign MNCs

14. (C) The Duke Energy representative began by noting that U.S. firms comply with Argentine labor law, but that many other domestic companies do not, particularly when it comes to paying taxes for social security and healthcare. He claimed that for every ten workers the average Argentine company hires, "five are off the books," putting U.S. companies at a significant competitive disadvantage viz local companies. "A few of us end up paying on behalf of everyone else", he asserted. The GoA should focus on ensuring all companies comply with the letter and spirit of labor law, he suggested. The Duke Energy executive assured Minister Tomada that Duke Energy is open to cooperating on Ministry of Labor initiatives. Merck representative also noted that his company complies with existing labor laws and demands that its suppliers and clients comply as well. He added, that it was in Merck's best interest to ensure that all private companies pay their share of social security and healthcare taxes. In addition, Merck reserves the right to audit company suppliers to ensure full compliance with current labor and tax regulations, he stated.

MOL has Upped Inspections to Improve Local Compliance

15. (C) Tomada acknowledged that Argentine companies routinely avoid paying social security and healthcare taxes for their employees. When he first took office, the MOL only had 22 inspectors for the whole country. Now, the MOL counts on 400 inspectors within the Ministry itself and has teamed up with another 600 inspectors from other GOA agencies, such as AFIP (the IRS-equivalent) and provincial governments. This has enabled the MOL to step up inspections to ensure local firms comply with the law, he explained. The GOA has also lowered corporate tax rates for companies with less than 80 employees, has simplified the registration process for informal businesses, and has adopted technology to allow small and medium-sized enterprises to pay labor and social taxes via the Internet. The Minister also asserted that when he took office, over 50 percent of employment was "off the books", but now 90 percent of new jobs are registered "on the books". Tomada expressed hope that by the end of his tenure as Minister, these efforts will have reduced informal employment by 10 percent.

Concern over Radicalization of Union Tactics

16. (C) Turning to a discussion on heavy-handed labor union tactics in Argentina to win salary increases, the Chevron representative argued that unions fail to recognize that gains in productivity vary from sector to sector, and that salaries should be linked to sector-specific gains in productivity. In communities, for example, where hydrocarbon exploration and development business is prominent, energy sector workers earn ten times more than police and teachers. As a result, teacher and police unions will stage protests demanding salaries equivalent to their energy sector peers, he noted. He urged the GoA to take measures to curb the unions' excessive power and moderate their demands.

17. (C) While stressing that the GOA does not support aggressive labor tactics, Tomada acknowledged that labor unrest has impacted key sectors of the productive economy, but claimed that the situation could be worse. In general,

he claimed, most labor disputes have been resolved peacefully with the assistance of MOL officials. To avoid confrontation, Tomada encouraged employers to use all negotiating tools at its disposal.

18. (C) The Citibank representative echoed Chevron's concerns, but noted that an equilibrium had been reached with the unions under the Kirchner administration. He cautioned, however, that without policy continuity at the Labor Ministry after the October elections, unions will become increasingly more radicalized. He asked Minister Tomada whether he would stay on in a new government or if his successor will try to maintain the course he set as Minister. Tomada declined to comment but assured U.S. company representatives that a likely Christina Fernandez de Kirchner government will continue the "positive course" Tomada had begun.

Concern over Legislating CSR

19. (C) Chevron also expressed concern that the Argentine Congress is looking to pass CSR legislation that would compel companies to make contributions to their communities. Mandating CSR initiatives by law will not help increase CSR programs, he argued.

Concern over Qualified Labor Shortage

110. (C) While the American Express representative cited a highly-qualified workforce as the main reason why Amex is looking to expand its Argentine operations, Dow Chemical and Intel expressed a concern with a shortage of qualified workers due to Argentina's lack of investment in education. Representatives of Dow Chemical, Intel, and Ford discussed initiatives their companies have undertaken to provide on-the-job training. Intel executive suggested that the GOA should do more to invest in education starting with improving teacher's salaries. When truck drivers earn ten times more than school teachers, there is no incentive for people to pursue education as a career, and this will eventually hurt Argentina's prospects for the future, he cautioned. When he expressed interest in the MOL's public-private partnership

with Microsoft and Oracle, the Minister invited Intel to participate in the initiative. (Note: Microsoft and Oracle have engaged the MOL in a public-private partnership through which these companies provide IT training to students in their final year of university to enhance their employment prospects. They also provide scholarships for qualified students from low-income families. Independently, Intel offers a sizeable IT training program for teachers.)

111. (C) Ford's CSR programs also focus on education and job training. The Ford official explained that the company is refurbishing 43 schools it helped to build in the 1960,s and 1970,s in remote border and rural areas where access to education is difficult. As a learning organization, Ford prepares its employees for increasingly more complex jobs through on-the-job training. As a testament to the success of this approach, he noted that many of Ford's employees have been with the company for 20 years or more. Ford also runs a private technical school for high school drop-outs to give them the technical skills necessary for future employment, he stated.

Amex Efforts to Promote Work-Life Balance and Diversity

112. (C) American Express (Amex) executive noted that Amex promotes compliance with labor laws among all of their suppliers. Since the economic crisis, Amex has doubled its workforce to 1200 employees and intends to hire even more as it looks to increase services to Latin America, Europe, and Asia-Pacific. She noted that Amex was voted best place to

work in Argentina based on employee surveys, and she credits employee satisfaction to Amex's efforts to improve work-life balance. This is fostered through family-friendly policies such as flexible working hours and solid health benefits. Amex has also committed itself to diversifying its workforce, by hiring disabled employees and offering opportunities to disabled students in its existing internship program.

Participants

¶13. (U) Representatives from American Express, Chevron, Citibank, Dow Chemical, Duke Energy, Ford, IBM, Intel, McDonald's, Merck, and the American Chamber of Commerce participated in the meeting. Minister Tomada was accompanied by Senior Advisor Nydia Neer. The Ambassador was accompanied by the Economic Counselor, Commercial Counselor, Labor Attache, Foreign Commercial Specialist, and Political Intern.
WAYNE